

## Message Text

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11

ACTION EB-11

INFO OCT-01 EUR-25 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 OIC-04

AF-10 ARA-11 EA-11 NEA-10 RSR-01 /224 W

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R 241815 Z MAY 73

FM USMISSION GENEVA

TO SECSTATE WASHDC 9508

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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PASS STR

E. O. 11652: N/A

TAGS: ETRD, GATT, US, EEC

SUBJECT: EC- US ARTICLE XXIV:6 RENEGOTIATIONS - EC PROPOSAL TO  
WITHDRAW AND REPLACE SCHEDULES

REF: GENEVA 2470

1. ON MAY 23 EC REP ( LUYTEN) REPORTED THAT HE HAD JUST  
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HAD A CONVERSATION WITH COMMISSIONER GUNDELACH, WHO HAD ASKED HIM TO MAKE SURE THAT WE UNDERSTOOD THAT THE EC DOES NOT CONSIDER THAT IT HAS WITHDRAWN THE GATT SCHEDULE OF THE SIX. THE EC HAS PROPOSED TO NEGOTIATE UNDER GATT ARTICLE XXVIII PROCEDURES FOR OUR AGREEMENT TO THAT WITHDRAWAL ( ALONG WITH THE WITHDRAWAL OF THE SCHEDULES OF DENMARK, THE UK AND IRELAND) AND TO THE IMMEDIATE SUBSEQUENT REPLACEMENT OF THE WITHDRAWN SCHEDULES BY A NEW SCHEDULE OF THE NINE. THE EC WOULD NEGOTIATE THE LATTER UNDER GATT PROCEDURES, STARTING WITH ITS OFFER TO TAKE THE RATES BOUND IN THE SIX AS THE BASIS FOR BINDINGS IN THE TARIFF OF THE NINE. IF AGREEMENT WERE REACHED THERE WOULD BE NO " VACUUM" ( I. E., ALL OF THE CONSTITUENT TERRITORIES OF THE ENLARGED EC WOULD BE CONTINUOUSLY COVERED BY GATT SCHEDULED COMMITMENTS). IF THERE WERE NO AGREEMENT, LUYTEN SAID, THE EC' S FIRM INTENTION IS TO PLACE INTO EFFECT THE SCHEDULE IT IS PROPOSING FOR THE NINE. IN THIS CASE, TOO, THERE WOULD BE NO " VACUUM: THE US WOULD BE FREE PER PARA 3 OF ART XXVIII TO EFFECT SUBSTANTIALLY EQUIVALENT WITHDRAWALS OF CONCESSIONS ( I. E., WITHDRAWALS EQUIVALENT TO WHAT THE US CONSIDERS TO BE THE CONSEQUENT NET DETERIORATION OF ITS RIGHTS IN THE CONSTITUENT TERRITORIES OF THE ENLARGED EC FOLLOWING THE INSTITUTION OF THE NEW SCHEDULE).

2. IN INTERVIEW WITH PROPPS AND JACKSON ON MAY 24, LUYTEN REPEATED THESE POINTS, AND ADDED THAT EC AUTHORITIES ARE PUZZLED OVER US MISGIVINGS RE PROPOSAL TO NEGOTIATE WITHDRAWAL EC SCHEDULE. SAID NO COMPARABLE CONCERNS AROSE ON ART XXIV:6 RENEGOTIATIONS FOLLOWING ROME TREATY, NOR WHEN OTHER CPS PROPOSED WITHDRAW SCHEDULES AND SUPERSEDE THEM WITH NEW CONCESSIONS ( AS US DID WITH REVISED TARIFF SCHEDULE). SAID PROCEDURE EC IS FOLLOWING IS STANDARD GATT PRACTICE. ( AS US REP NOTED, PRACTICE HAS NOT BEEN UNIFORM BUT IN ART XXVIII PROCEEDINGS WITHDRAWING COUNTRY NORMALLY OFFERS DIRECT BINDINGS IN NEW INRS, AS DID THE XXIV:6 RENEGOTIATIONS FOLLOWING THE ROME TREATY.)

3. IN EXPLAINING EC OFFER OF NEW SCHEDULE FOR THE NINE, WITH SAME PATTERN OF BOUND RATES AS IN SCHEDULE OF EC LIMITED OFFICIAL USE

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OF SIX, LUYTEN SAID EC OFFER INCLUDES THE PROPOSITION THAT THE CXT FOR THE NINE AT THE END OF THE NEGOTIATIONS WILL HAVE DESIGNATED AS REGULAR ( NON- FLOATING) INRS FOR THE US ALL ITEMS IN THE SCHEDULE FOR WHICH THE US HAD A REGULAR ( NON- FLOATING) INR IN EITHER THE SCHEDULE OF THE UK OR THE SCHEDULE ( CXT) OF THE EC OF SIX NOT SUPERSEDED BY A KR " FLOATING" INR. FOR SUCH ITEMS THE RATES TO

WHICH THE INRS APPLY WOULD BE THOSE OF THE CXT OF SIX.  
COMMENT: THIS LATEST FORMULATION OF EC PROPOSAL WOULD  
MEAN A NARROWING OF THE AREA OF APPARENT DIFFERENCE  
BETWEEN THE US AND THE EC ON THE " JURIDICAL RIGHTS"  
QUESTION, FOR THE US WOULD LOSE ONLY THE " HISTORICAL"  
INITIAL NEGOTIATING RIGHTS ( I. E., INRS AT RATES ABOVE  
CURRENTLY BOUND RATES) WHICH IT HAD IN THE SCHEDULES OF  
THE UK AND THE EC OF SIX). ALSO, INRS IN THE SCHEDULE  
OF DENMARK WOULD NOT BE CARRIED FORWARD, UNDER THE EC  
OFFER, TO THE SCHEDULES OF THE NINE. COMMENT: THIS  
PROPOSAL DOES NOT RESOLVE DIFFERENCES BETWEEN EC AND  
US OVER ALLEGED " IMPROVEMENTS" IN US JURIDICAL RIGHTS  
BASED ON CHANGES IN RELATIVE SUPPLIER POSITIONS IN  
CONSTITUENT TERRITORIES AND IN EC OF NINE.

4. LUYTEN INDICATED IT WOULD NOT BE PRACTICABLE FOR  
THE EC TO OFFER MORE INRS TO THE US NOW THAN THOSE  
DESCRIBED ABOVE. HOWEVER, HE SAID, THE EC COULD CON-  
SIDER A LIMITED NUMBER OF REQUESTS FOR INRS ON OTHER  
ITEMS ( WHICH HE SUPPOSED WOULD BE ITEMS OF POLITICO-  
ECONOMIC SIGNIFICANCE TO THE US). BASSIN

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\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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